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C O N F I D E N T I A L SECTION 01 OF 02 MANILA 002202

SIPDIS

PACOM FOR ADMIRAL KEATING
STATE FOR EAP/MTS
USPACOM ALSO FOR FPA

E.O. 12958: DECL: 09/23/2018

TAGS: [MARR](#) [MOPS](#) [PINS](#) [PREL](#) [PTER](#) [RP](#)

SUBJECT: SCENESETTER FOR ADMIRAL KEATING'S VISIT TO THE
PHILIPPINES

Classified By: Ambassador Kristie A. Kenney; reasons 1.4 (b) and (d)

11. (C) Admiral Keating, welcome back to the Philippines! You are returning at a challenging time. The situation in central Mindanao remains tense but controlled. The Philippine armed forces (AFP) continue a targeted search for Moro Islamic Liberation Front (MILF) commanders who carried out savage attacks on civilian communities last month. The fighting and subsequent flooding have forced up to 500,000 people from their homes. The peace process remains stalled pending a Supreme Court decision on a key territorial agreement. Our wide soundings indicate that the government and top MILF leadership are committed to negotiations, if unsure of the exact way forward. While there have been no major military engagements for the past two weeks, the Philippine government is braced for a possible upsurge in attacks at the end of Ramadan.

SCRUTINIZING U.S.-PHILIPPINE MILITARY TIES

12. (C) President Arroyo was confident enough about the situation to travel to New York this week for the UN General Assembly, despite demands from opponents for her ouster over the peace deal. U.S. diplomatic and military efforts in Mindanao have come under intense scrutiny from the same political quarters and a media skeptical of U.S. intentions, leading to renewed calls for closer examination both of the role of U.S. forces in the southern Philippines and the terms of our Visiting Forces Agreement (VFA). This scrutiny coincided with a Supreme Court hearing last week on the rape case of Marine LCpl Daniel Smith, which evolved into a broader discussion of the constitutionality of the VFA. Philippine legislators are also showing increased interest, with a Senate oversight committee debate on the VFA slated for September 25, the day you arrive.

13. (C) The intense focus on the VFA, along with a flurry of media articles contending that the U.S. seeks a permanent military presence here -- or even an independent Mindanao -- underscore the sensitivity surrounding the U.S.-Philippine military relationship at this time, and I expect these issues will surface at events during your visit. In numerous high-level discussions and public comments on both the Mindanao situation and our military role, I have of course debunked the idea that we have an interest in bases or a permanent military presence. I have also underscored that a peaceful Mindanao is essential for a prosperous, unified Philippines, and that it is vital for the Philippine government and MILF to return as quickly as possible to the negotiating table, but that it is for Filipinos to determine the shape and terms of the peace accord. The issue has

abated somewhat as potential candidates for the 2010 election launched personal attacks on one another over the weekend, but I expect this to remain an issue of serious concern for the near future.

STRONG PUBLIC DEFENSE

14. (C) With our encouragement, Defense Secretary Teodoro and other top officials have strongly defended our efforts here, and I expect you will have very positive discussions with Teodoro on our excellent cooperation on Philippine defense reform and JSOTF's superb support for their AFP counterparts.

Secretary Teodoro remains a strong ally on bilateral military cooperation, and a staunch advocate of rapid reform (the Philippines spent nearly \$250 million on PDR last year).

In his usual hands-on style, he recently postponed the annual Philippine Defense Reform review slated for October, as he was dissatisfied with the level of preparation by his team. The demands on the Philippine military and renewed scrutiny of our military presence have led Secretary Teodoro to scale back some recent bilateral activities and suggest a more streamlined Military Defense Board event, with a limited media profile. Still, we are looking forward to the Talon/Phiblex exercises next month, and to a continued increase in joint exercises and ship visits.

HELPING HAND FOR MINDANAO

15. (C) We remain very concerned about the humanitarian situation in central Mindanao due to both flooding and

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conflict. While exact figures are difficult to verify, upper estimates put the number of displaced persons at 500,000. Foreign aid donors have given approximately \$2 million to aid the refugees, including \$100,000 from USAID. Reports suggest that the health situation -- clean water, sanitation, shelter -- is deteriorating for many of the displaced persons, and we are sending down an AID assessment team to determine whether an additional infusion of aid is needed. Depending on how the situation develops, we may wish to consider whether U.S. humanitarian assistance could include a U.S. military role, both for the help it could render to refugees as well as the positive image of U.S. forces it could reinforce, much as happened during the Reagan carrier group's typhoon relief effort in late June.

WEATHERING GLOBAL ECONOMIC CRISES

16. (SBU) The general economic mood in the Philippines is one of quiet relief, as Philippine banks and investors had little exposure to the high-profile financial failures of recent weeks. At the same time, consumers have gotten a few breaks, as the rice shortage of May has turned into a rice glut, and prices of fuel have dropped with the fall in oil. In addition, a resilient service sector and strong overseas workers remittances (expected to hit \$16 billion in 2008, more than 11 percent of Philippine GDP) improved the overall situation. But a year of rising global commodity prices has taken a toll. Growth in the gross domestic product is expected to drop several points to around 5 percent in 2008, and inflation rose to a 17-year high of 12.5 percent in August, pushing even more Filipinos below the poverty level.

KENNEY